

Nebraska Department of Education
Finance & Organizational Services
School Finance & Organization Services

Tax Equity and Educational Opportunities Support Act Recertification of 2008-09 State Aid

This Document Contains:

Part I.

Data Sources for the 2008-09 State Aid Calculations

Part II.

2008-09 Concept Summary

Part III.

Questions and Answers Related to the 2008-09 State Aid Calculation

April 2008

Part I. DATA SOURCES FOR THE 2008-09 STATE AID CALCULATIONS

Is the sum of:

NEEDS

(Basic Funding + Poverty Allowance + Limited English Proficiency Allowance + Elementary Class Size Allowance + Focus School & Program Allowance + Summer School Allowance + Transportation Allowance + Special Receipts Allowance + Elementary Site Allowance + Distance Education & Telecommunications Allowance + Averaging Adjustment + Teacher Education Adjustment) – (Limited English Proficiency Allowance Correction + Poverty Allowance Correction + Local Choice Adjustment)

✓ Formula Needs Stabilization:

District Formula Need that is less than 100% of 2007/08 Year End Recalculated Formula Need is increased to 100% of 2007/08 Year End Recalculated Formula Need

AND

District Formula Need that is greater than 112% of 2007/08 Year End Recalculated Formula Need is decreased to 112% of 2007/08 Year End Recalculated Formula Need, except that the Formula Need for Districts receiving a student growth adjustment is not decreased.

FORMULA STUDENTS

Students educated by the district and students for which tuition is paid.

DATA SOURCES:

As defined for the April 30, 2008 Recertification of 2008-09 State Aid:

- ✓ Fall Membership in grades Kindergarten (KDG); Full-Day Kindergarten (FDK)-6; 7-8; and 9-12 from the 2007 Student Snapshot Template in the Nebraska Staff and Student Record System (NSSRS).
- ✓ The Fall Membership is adjusted based on the historical ratio of Average Daily Membership (ADM) to Fall Membership using the ratios from 2004-05, 2005-06 and 2006-07.
- ✓ Qualified Early Childhood Fall Membership is multiplied by the ratio of the planned instructional hours of the program divided by 1032 then multiplied by .6.
- ✓ Contracted Students in grades KDG; FDK-6; 7-8; and 9-12 are taken from the 2007 School Enrollment Template in the NSSRS.

As defined for the year-end recalculation of 2008-09 State Aid:

- √ Average Daily Membership (ADM) in Qualified Early Childhood Programs and grades KDG; FDK-6; 7-8; and 9-12 from the 2007 Student Summary Attendance in the NSSRS.
- √ Contracted Students from the 2007 School Enrollment Template in the NSSRS.

COST GROUPING

The local systems are divided into three cost groupings: Standard, Sparse, and Very Sparse.

DATA SOURCES:

- √ 2006 Census Report for children 5 to 18 years of age
- √ County Square Miles from the 2007 Consolidated Data Collection
- √ System Square Miles from the 2007 Consolidated Data Collection
- √ Formula Students from the 2007 Student Snapshot Template and the Student Enrollment Template in the NSSRS
- √ High School Distance from the 2007 Consolidated Data Collection

Very Sparse:

- 1) Less than .5 census students per square mile in the county where the high school is located.
 - 2) Less than 1 formula student per square mile in the local system.
 - 3) More than 15 miles between high school attendance centers.
- OR
- 1) More than 450 square miles in the local system.
 - 2) Less than .5 formula students per square mile in the local system.
 - 3) More than 15 miles between high school attendance centers.

Sparse:

- 1) Less than 2 census students per square mile in the county in which each high school is located.
 - 2) Less than 1 formula student per square mile in the local system.
 - 3) More than 10 miles between each high school attendance center.
- OR
- 1) Less than 1.5 formula students per square mile in the local system.
 - 2) More than 15 miles between each high school attendance center.
- OR
- 1) Less than 1.5 formula students per square mile in the local system.
 - 2) More than 275 square miles in the local system.
- OR
- 1) Less than 2 formula students per square mile in the local system.
 - 2) The local system includes an area equal to 95% or more of the square miles in the largest county in which a high school attendance center is located.

Standard:

Local systems that do not qualify for the Very Sparse or Sparse Cost Grouping will be in the Standard Cost Grouping.

GENERAL FUND OPERATING EXPENDITURES

Each district's General Fund Operating Expenditures for the most recently available complete data year.

Calculated from the 2006-07 Annual Financial Report (AFR) as follows:

Total General Fund Expenditures	1-2-20400-000
Minus	
Tuition Paid	1-2-1160-364, 1-2-1150-364, 1-2-1100-364, 1-2-1200-360 & 370
Adult Education	1-2-7000-000
Transfers from Other Funds	1-1-5500-000
Community Services	1-2-3000-000
Redemption of General Fund Debt Service Principal	1-2-5000-605 & 610
Transportation Paid to Other Districts	1-2-2750-333 & 1-2-2760-333
State Categorical Programs	1-2-3500-000
Retirement Incentive Plan	1-2-2200-281
Staff Development Assistance	1-2-2200-282
Transfers to Bond Fund	1-2-8000-754
Tuition Received from Other Educational Entities (Distance Education)	1-1-1215-000
Summer School Tuition and Fees	1-1-1250-000
Preschool Tuition and Fees	1-1-1270-000
Contributions and Donations	1-1-1920-000
Textbook Loan	1-1-3155-000
Medicaid Administrative Activities (MAAPS)	1-1-4455-000
Impact Aid	1-1-4500-000
Johnson O'Malley	1-1-4600-000
Non-Categorical Federal	1-1-4690-000

TRANSPORTATION ALLOWANCE

The lesser of actual specific transportation costs or a calculated amount based on the miles transported (excluding activities) plus in-lieu-of transportation for the most recently available complete data year.

DATA SOURCES:

- √ District specific transportation expenditures reported on the 2006-07 Annual Financial Report: Total Regular Pupil Transportation minus Transportation Paid to Another District (1-2-2750-000 minus 1-2-2750-333).
- Or- √ District specific calculated transportation expenditures based on: Route miles reported on the 2006-07 Annual Statistical Summary Report (Section C, Item 9) x .485 x 400% + In-Lieu-of Transportation (1-2-2750-332) reported on the 2006-07 Annual Financial Report.

SPECIAL RECEIPTS ALLOWANCE

DATA SOURCES:

- √ Special Receipts Allowance includes district specific special education, state ward, and accelerated or differentiated curriculum program receipts included in local system formula resources reported on the 2006-07 Annual Financial Report (1-1-1230-000, 1-1-1240-000, 1-1-1330-000, 1-1-1340-000, 1-1-3120-000, 1-1-3125-000, 1-1-3135-000, 1-1-3160-000, & 1-1-3161-000) and receipts from the Medicare Catastrophic Coverage Act of 1988 - to the extent the district would have received payment pursuant to the Special Education Act (taken from NDE records) for 2006-07.

DISTANCE EDUCATION & TELECOMMUNICATIONS ALLOWANCE

Is equal to eighty-five percent of the difference of the costs for (a) telecommunications services, (b) access to data transmission networks that transmit data to and from the school district, and (c) the transmission of data on such networks paid by the school districts in the local system minus the receipts from the Federal Universal Service Fund.

DATA SOURCES:

- √ District specific distance education and telecommunications expenditures on the 2006-07 Annual Financial Report (1-2-1100-382, 1-2-1150-382, 1-2-1160-382, 1-2-1190-382, 1-2-1200-382, 1-2-2100-382, 1-2-2150-382, 1-2-2200-382, 1-2-2213-382, 1-2-2214-382, 1-2-2310-382, 1-2-2320-382, 1-2-2400-382, 1-2-2510-382, 1-2-2520-382, 1-2-2600-382, 1-2-2750-382, 1-2-2760-382, 1-2-3000-382, 1-2-3500-382, 1-2-6000-382, 1-2-7000-382) minus Universal Service Fund (E-Rate) (1-1-4850-000).

ELEMENTARY CLASS SIZE ALLOWANCE

For school fiscal year 2008/09

Is equal to 20% of the statewide average general fund operating expenditures per formula student (1,682.03) multiplied by the number of free and reduced price lunch students in grades K through 8 who spend 50% or more of the school day in a classroom with a minimum of 10 students and a maximum of 20 students.

DATA SOURCES:

- √ 2007 Consolidated Data Collection for Elementary Class Size based on fall membership.

LIMITED ENGLISH PROFICIENCY ALLOWANCE

The lesser of:

Maximum Limited English Proficiency Allowance designated by the school district

OR

25% of the statewide average general fund operating expenditures per formula student (2,102.54) multiplied by the number of limited English proficient students.

If the number of limited English proficient students is greater than or equal to 1 but less than 12, the number of limited English proficient students used in the calculation is 12.

DATA SOURCES:

- √ 2007 School Enrollment Template in the NSSRS.

POVERTY ALLOWANCE

Poverty Student = number of low income students or the number of students who are free lunch and free milk students whichever is greater

Low Income Students = number of low income children within the local system X ratio of formula students/total children under 19

Low Income Child = a child under 19 living in a household having an annual adjusted gross income in 2006/07 equal to or less than the maximum household income that would allow a student from a family of four people to be a free lunch and free milk student during the 2007/08 school year.

2008/09 Statewide Average General Fund Operating Expenditures per Formula Student = 8,410.16

The lesser of:

Maximum Poverty Allowance designated by the school district

OR

Poverty Adjustment (Povadj)

Local System Formula Students = (Stu)

Poverty Students = (Poverty)

Poverty Adjustment = (Povadj)

Stu X .05 = a

Stu X .10 = b

Stu X .15 = c

Stu X .20 = d

Stu X .25 = e

Stu X .30 = f

- If (Poverty) is less than or equal to a, then (Povadj) = 0
- If (Poverty) is greater than a, and (Poverty) is less than or equal to b, then $((\text{Poverty}) - a) \times (.0375 \times \text{Statewide Average GFOE per formula student}) = (\text{Povadj})$
- If (Poverty) is greater than b, and (Poverty) is less than or equal to c, then $((b-a) \times (.0375 \times \text{Statewide Average GFOE per formula student})) + (((\text{Poverty}) - b) \times (.075 \times \text{Statewide Average GFOE per formula student})) = (\text{Povadj})$
- If (Poverty) is greater than c, and (Poverty) is less than or equal to d, then $((b-a) \times (.0375 \times \text{Statewide Average GFOE per formula student})) + ((c-b) \times (.075 \times \text{Statewide Average GFOE per formula student})) + (((\text{Poverty}) - c) \times (.1125 \times \text{statewide average GFOE per formula student})) = (\text{Povadj})$
- If (Poverty) is greater than d, and (Poverty) is less than or equal to e, then $((b-a) \times (.0375 \times \text{Statewide Average GFOE per formula student})) + ((c-b) \times (.075 \times \text{Statewide Average GFOE per formula student})) + ((d-c) \times (.1125 \times \text{Statewide Average GFOE per formula student})) + (((\text{Poverty}) - d) \times (.15 \times \text{Statewide Average GFOE per formula student})) = (\text{Povadj})$
- If (Poverty) is greater than e, and (Poverty) is less than or equal to f, then $((b-a) \times (.0375 \times \text{Statewide Average GFOE per formula student})) + ((c-b) \times (.075 \times \text{Statewide Average GFOE per formula student})) + ((d-c) \times (.1125 \times \text{Statewide Average GFOE per formula student})) + ((e-d) \times (.15 \times \text{Statewide Average GFOE per formula student})) + (((\text{Poverty}) - e) \times (.1875 \times \text{Statewide Average GFOE per formula student})) = (\text{Povadj})$

- If (Poverty) is greater than f, then $((b-a) \times (.0375 \times \text{Statewide Average GFOE per formula student})) + ((c-b) \times (.075 \times \text{Statewide Average GFOE per formula student})) + ((d-c) \times (.1125 \times \text{Statewide Average GFOE per formula student})) + ((e-d) \times (.15 \times \text{Statewide Average GFOE per formula student})) + ((f-e) \times (.1875 \times \text{Statewide Average GFOE per formula student})) + (((\text{Poverty}) - f) \times (.225 \times \text{Statewide Average GFOE per formula student})) = (\text{Povadj})$

ELEMENTARY SITE ALLOWANCE

An Elementary Site Allowance is provided if a District:

1. Has more than 1 elementary building;
2. The elementary building is not the primary site;
3. At least 1 elementary building does not offer any other grades;
4. There is at least 100 square miles per elementary building in the District; and
5. There is an average of 15 or fewer students per grade per building.

The Elementary Site Allowance is the sum of the allowances for buildings with only elementary grades and an average of 15 or fewer students per grade, except the primary site.

$(\text{Statewide Average General Fund Operating Expenditure per Formula Student} \times 500\% (42,050.80)) \times \text{Formula Students per building} \div 8$ (result is rounded up to a whole number)

If the whole number is greater than the number of elementary grades offered in the building, the whole number is equal to the grades offered in the building.

SUMMER SCHOOL ALLOWANCE

$(.025 \times \text{Summer School Student Units}) \times (.85 \times \text{Statewide Average General Fund Operating Expenditure per Formula Student} (7,148.64))$

Summer School Student Unit = 1 student enrolled in summer school in a school district whether or not the student is in membership for 1) at least 3 hours, but fewer than 6 hours per day and 2) at least 12 days, but fewer than 24 days.

FOCUS SCHOOL & PROGRAM ALLOWANCE

Applies to school districts in a learning community;

$(\text{Statewide Average General Fund Operating Expenditures per Formula Student} \times .10 (841.02)) \times \text{Number of Students in Focus School}$

ADJUSTED GENERAL FUND OPERATING EXPENDITURES

$(\text{General Fund Operating Expenditures} \times \text{Cost Growth Factor} (1.06)) - (\text{Transportation Allowance} + \text{Special Receipts Allowance} + \text{Poverty Allowance} + \text{Limited English Proficiency Allowance} + \text{Distance Education \& Telecommunications Allowance} + \text{Elementary Site Allowance} + \text{Elementary Class Size Allowance} + \text{Summer School Allowance} + \text{Focus School \& Program Allowance})$

COST GROWTH FACTOR

For school fiscal year 2008/09 and each school fiscal year thereafter, the cost growth factor shall equal the sum of (1) 1 plus (2) the basic allowable growth rate for the school fiscal year in which the aid is to be distributed; plus (3) the basic allowable growth rate for the school fiscal year immediately preceding the school fiscal year in which the aid is to be distributed; plus (4) 1%.

BASIC FUNDING

A comparison group is established for each District consisting of:

- (i) The 5 larger districts that are closest in size to the District, measured by formula students, and
 - (ii) The 5 smaller districts that are closest in size to the District, measured by formula students
- If there are not 5 Districts that are larger than the District for which basic funding is being calculated or if there are not 5 Districts that are smaller than the District, the comparison group would consist of only as many districts as fit the criteria.
 - If more than 1 District has exactly the same number of formula students as the largest or smallest District in the comparison group, all of the Districts with exactly the same number of formula students as the largest or smallest Districts in the comparison group shall be included in the comparison group.
 - If 1 or more Districts have exactly the same number of formula students as the District for which basic funding is being calculated, all such Districts would be included in the comparison group in addition to the 5 larger and the 5 smaller Districts.
 - The comparison group remains the same for the final calculation of State Aid.
- School Districts with less than 900 formula students;
Basic Funding = Average of Adjusted General Fund Operating Expenditures for each District in the comparison group excluding both the District with the highest Adjusted General Fund Operating Expenditures and the District with the lowest Adjusted General Fund Operating Expenditures in the comparison group.
 - School Districts with 900 or more formula students;
Basic Funding = District formula students X Average Adjusted General Fund Operating Expenditures per formula student excluding both the District with the highest Adjusted General Fund Operating Expenditures per formula student and the District with the lowest Adjusted General Fund Operating Expenditures per formula student.

LOCAL CHOICE ADJUSTMENT

Applies to Districts whose Basic Funding per formula student is greater than the Basic Funding per formula student for the District that has the closest to 390 formula students (7,917.96) that;

- (i) Has fewer than 390 formula students
- (ii) Is not Sparse or Very Sparse
- (iii) Did not receive federal funds in excess of 25% of its general fund budget of expenditures in the most recently available complete data year or in either of the two school fiscal years preceding the most recently available complete data year

Local Choice Adjustment =

$(.50 \times (\text{District Basic Funding per formula student} - \text{Basic Funding per formula student for the District that has the closest to 390 formula students (7,917.96)})) \times \text{District formula students}$

- If more than 1 District has the closest to 390 formula students, the Basic Funding representing the District that has the closest to 390 formula students shall equal the average of the Basic Funding per formula student for each District.
- The closest to 390 formula students is measured using the absolute value of the difference of 390 formula students minus the District formula students with the difference rounded to the nearest whole number.

AVERAGING ADJUSTMENT

Applies to Districts whose Basic Funding per formula student is less than the statewide average Basic Funding per formula student (7,423.08) with a General Fund Levy of at least \$0.96.

Averaging Adjustment = 75% of (District formula students X percentage (specified below) of the difference between the statewide average Basic Funding per formula student – District Basic Funding per formula student)

- The percentage to be used in the calculation of the Averaging Adjustment is based on the General Fund Levy for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated as follows:

(i)	If the Levy was at least \$0.96 but less than \$0.97	10%
(ii)	If the Levy was at least \$0.97 but less than \$0.98	20%
(iii)	If the Levy was at least \$0.98 but less than \$0.99	30%
(iv)	If the Levy was at least \$0.99 but less than \$1.00	40%
(v)	If the Levy was at least \$1.00 but less than \$1.01	50%
(vi)	If the Levy was at least \$1.01 but less than \$1.02	60%
(vii)	If the Levy was at least \$1.02 but less than \$1.03	70%
(viii)	If the Levy was at least \$1.03 but less than \$1.04	80%
(ix)	If the Levy was at least \$1.04	90%

TEACHER EDUCATION ADJUSTMENT

The Teacher Education Adjustment equals 10% of the District’s Basic Funding X the District’s Teacher Education Index – 1. If the result is less than 0, the Teacher Education Adjustment is equal to 0.

- Teacher Education Points;
 - (i) Full Time Equivalent (FTE) Teacher with Master Degree or Education Specialist’s Degree = 1 point
 - (ii) Full Time Equivalent (FTE) Teacher with Doctorate Degree = 2 points

- Teacher Education Index;

$$\frac{\text{District Teacher Education Points}}{\text{District FTE Teachers}} \div \frac{\text{Statewide Teacher Education Points}}{\text{Statewide Teacher FTE}}$$

- ✓ The “Teacher” must have the following position codes on the 2007/08 Fall Personnel Report that equal 1 FTE in any combination: 1150 Head Teacher, 1160 Teacher, 1161 SPED Teacher Teaching Core Academic Subjects/Grading, 1162 SPED Teacher Teaching Core Academic Subjects/Alternate Standards/Assessment, 1163 SPED Teacher Collaborating/Co-teaching, 1164 SPED Teacher – Facilitator, 1170 Teacher – Facilitator, 1180 Teacher – Collaborator.

FORMULA NEED

Is the sum of the District’s Basic Funding + Poverty Allowance + Limited English Proficiency Allowance + Elementary Class Size Allowance + Focus School & Program Allowance + Summer School Allowance + Transportation Allowance + Special Receipts Allowance + Elementary Site Allowance + Distance Education & Telecommunications Allowance + Averaging Adjustment + Teacher Education Adjustment – (Local Choice Adjustment + Limited English Proficiency Allowance Correction + Poverty Allowance Correction).

- ✓ Formula Needs Stabilization:

District Formula Need that is less than 100% of 2007/08 Year End Recalculated Formula Need is increased to 100% of 2007/08 Year End Recalculated Formula Need

AND

District Formula Need that is greater than 112% of 2007/08 Year End Recalculated Formula Need is decreased to 112% of 2007/08 Year End Recalculated Formula Need, except that the Formula Need for Districts receiving a student growth adjustment is not decreased.

RESOURCES

The sum of the Yield from Local Effort Rate + Net Option Funding + Allocated Income Tax Funds + Minimum Levy Adjustment + Other Receipts actually received by the District.

YIELD FROM LOCAL EFFORT RATE

Adjusted Valuation divided by 100 multiplied by the Local Effort Rate of \$1.00. Each district’s adjusted valuation for tax year 2007 is provided by the Property Tax Administrator (certified October 2007). Real property was adjusted to 96% of actual value and agricultural land was adjusted to 72% of actual value.

LOCAL EFFORT RATE

Set at \$.05 below the maximum levy per §77-3442.

NET OPTION FUNDING

Net Enrollment Option students (students opting in minus students opting out) as of the day of the fall membership count, multiplied by the statewide average Basic Funding per formula student (7,423.08).

DATA SOURCES:

- ✓ 2007 School Enrollment Template in the NSSRS.

Net Option Funding is equal to each Local System’s:

Net Enrollment Option Students X Statewide Average Basic Funding per formula student

Except that a Local System’s Net Option Funding cannot be less than zero.

ALLOCATED INCOME TAX FUNDS

A percent calculated annually of the net Nebraska income tax liability of each school district’s resident individuals in tax year 2007 provided by the Department of Revenue (certified November 15, 2007). The percentage is calculated annually based on the 1992-93 appropriation to the School District Income Tax Fund (minus \$20 million), the Net Option Funding, and the statewide income tax liability of resident individuals.

MINIMUM LEVY ADJUSTMENT

The minimum levy adjustment is calculated and applied to any system that has a General Fund levy that is less than \$0.95. The adjustment is calculated by subtracting the system levy from \$0.95, and multiplying the result by the adjusted valuation divided by 100.

The minimum levy adjustment is added to the formula resources for the determination of Equalization Aid. If the minimum levy adjustment is greater than or equal to the allocated income tax funds, the system shall not receive allocated income tax funds.

DATA SOURCES:

- √ 2007 General Fund Levy 2007 Consolidated Data Collection
- √ 2007 Adjusted Valuation (certified October 2007).

OTHER RECEIPTS ACTUALLY RECEIVED BY THE DISTRICT

Each Local System's other actual receipts for the most recently available complete data year.

Other Actual Receipts are taken from the 2006-07 Annual Financial Report as follows:

Public Power District Sales Tax	1-1-1120-000
Fines and License Fees	1-1-1610-000, 1-1-1620-000 & 1-1-2110-000
Tuition Receipts	1-1-1210-000, 1-1-1220-000, 1-1-1230-000 & 1-1-1240-000
Transportation Receipts	1-1-1310-000, 1-1-1320-000, 1-1-1330-000 & 1-1-1340-000
Interest	1-1-1410-000
Other Miscellaneous Local/County Receipts	1-1-1115-000, 1-1-1910-000, 1-1-1990-000, 1-1-2130-000 & 1-1-2210-000
Special Education School Age	1-1-3120-000 & 1-1-3125-000
Payments for Wards of the State/Wards of the Court	1-1-3160-000 & 1-1-3161-000
Receipts from the Temporary School Fund for State Apportionment and Property leased for a Public Purpose	1-1-3200-000 & 1-1-3300-000
Motor Vehicle Receipts Received on or After January 1, 1998	1-1-1125-000
Pro-Rate Motor Vehicle	1-1-3180-000
Other State Receipts	1-1-3990-000
Federal Impact Aid included to the extent allowed by Federal Law	(taken from federal source documents)
Other Non-Categorical Federal Receipts	1-1-4620-000, 1-1-4640-000 & 1-1-4690-000
Enrollment Option Transportation	1-1-3145-000
Receipts from Medicare Catastrophic Coverage Act of 1988-to the extent the district would have received payment pursuant to the Special Education Act	(taken from NDE records)
Receipts for Accelerated or Differentiated Curriculum Programs	1-1-3135-000

For the final calculation of State Aid, other actual receipts shall be as reported in the 2006-07 Annual Financial Report.

EQUALIZATION AID

Formula Needs – Formula Resources = Equalization Aid

AID STABILIZATION

A local system shall not receive State Aid which is less than an amount equal to the difference of the prior year's State Aid minus 2.5% of the current year's calculated Formula Needs.

Part II. 2008-09 CONCEPT SUMMARY

2008-09 Calculated State Aid to Nebraska's Public Schools:

Consists of one or a combination of the following items:

- Net Option Funding
- Allocated Income Tax Funds
- Equalization Aid
- Aid Stabilization

Nebraska Equalization Aid Formula Concept:

$$\text{Calculated Needs} - \text{Calculated Resources} = \text{State Equalization Aid}$$

LOCAL SYSTEM FORMULA NEED

Is the sum of:

The District's Basic Funding + Poverty Allowance + Limited English Proficiency Allowance + Elementary Class Size Allowance + Focus School & Program Allowance + Summer School Allowance + Transportation Allowance + Special Receipts Allowance + Elementary Site Allowance + Distance Education & Telecommunications Allowance + Averaging Adjustment + Teacher Education Adjustment – (Local Choice Adjustment + Limited English Proficiency Allowance Correction + Poverty Allowance Correction).

✓ Formula Needs Stabilization:

District Formula Need that is less than 100% of 2007/08 Year End Recalculated Formula Need is increased to 100% of 2007/08 Year End Recalculated Formula Need
AND

District Formula Need that is greater than 112% of 2007/08 Year End Recalculated Formula Need is decreased to 112% of 2007/08 Year End Recalculated Formula Need, except that the Formula Need for Districts receiving a student growth adjustment is not decreased.

FORMULA STUDENTS:

- Students educated by the district and students for which the district pays tuition.
- The Fall Membership count adjusted by the average ratio of ADM to Fall Membership from three prior years for the certification of State Aid; and ADM for the final calculation of State Aid.
- Students in Qualified Early Childhood Programs multiplied by the ratio of planned instructional hours of the program divided by 1,032 then multiplied by .6.

TRANSPORTATION ALLOWANCE:

The lesser of:

- Actual specific transportation costs or a calculated amount based on the miles transported (excluding activities) plus in lieu of transportation for the most recently available complete data year.

SPECIAL RECEIPTS ALLOWANCE:

- District specific special education receipts reported on the Annual Financial Report, and receipts from the Medicare Catastrophic Coverage Act of 1988, to the extent the district would have received payment pursuant to the Special Education Act (taken from NDE records).
- Each district's special education receipts for the most recently available complete data year.

DISTANCE EDUCATION AND TELECOMMUNICATIONS ALLOWANCE:

- Eighty-five percent of district specific distance education and telecommunication costs reported on the Annual Financial Report minus receipts from Federal Universal Service Fee Fund (E-Rate).

ELEMENTARY CLASS SIZE ALLOWANCE:

- Twenty percent of the statewide average general fund operating expenditures per formula student (1,682.03) multiplied by the number of free and reduced price lunch students in grades K-8 who spend 50% or more of the school day in a classroom with a minimum of 10 students and a maximum of 20 students (taken from NDE records).

FOCUS SCHOOL & PROGRAM ALLOWANCE:

- Ten percent of the statewide average general fund operating expenditures per formula student (841.02) multiplied by the number of students participating in a focus school or program. Applies only to school districts in a learning community.

LIMITED ENGLISH PROFICIENCY ALLOWANCE:

- The lesser of:

District designated limited English proficiency expenditures for 2008-09 or 25% of the statewide average general fund operating expenditures per student (2,102.54) multiplied by the number of limited English proficiency students.

POVERTY ALLOWANCE:

- The lesser of:

District designated poverty expenditures for the 2008-09 school year or the sum of the statewide average general fund operating expenditures per student multiplied by graduated percentages and then multiplied by student weightings based on free lunch/milk students or students under 19 residing in homes with adjusted gross income in 2006-07 equal to or less than the maximum household income that would allow a student from a family of four people to be a free lunch or free milk student during the 2007-08 school year.

ELEMENTARY SITE ALLOWANCE:

- Five hundred percent of the statewide average general fund operating expenditures per formula student (42,050.80) multiplied by the number of students per qualified building divided by eight (rounded up to a whole number). If the whole number is greater than the elementary grades offered in the building, the whole number is equal to the grades offered in the building.

SUMMER SCHOOL ALLOWANCE:

- Eighty five percent of the statewide average general fund operating expenditures per formula student (7,148.64) multiplied by two and half percent of the summer school student units.

ADJUSTED GENERAL FUND OPERATING EXPENDITURES:

- 1.06 multiplied by general fund operating expenditures minus (transportation allowance + special receipts allowance + poverty allowance + limited English proficiency allowance + distance education and telecommunications allowance + elementary site allowance + elementary class size allowance + summer school allowance + focus school and program allowance).

BASIC FUNDING:

- School Districts with less than 900 formula students:

Basic Funding = Average of adjusted general fund operating expenditures for each District in the comparison group excluding both the District with the highest adjusted general fund operating expenditures and the District with the lowest adjusted general fund operating expenditures in the comparison group.

- School Districts with 900 or more formula students:

Basic Funding = District formula students multiplied by average of adjusted general fund operating expenditures per formula student excluding both the District with the highest adjusted general fund operating expenditures per formula student and the District with the lowest adjusted general fund operating expenditures per formula student in the comparison group.

LOCAL CHOICE ADJUSTMENT:

- Fifty percent of District Basic Funding per formula student minus the basic funding per formula student of the District with the closest to 390 formula students multiplied by District formula students. The Adjustment applies to Districts with less than 390 formula students that are not classified as sparse or very sparse, whose Basic Funding per formula student is greater than the basic funding per formula student of the District with the closest to 390 formula students.

AVERAGING ADJUSTMENT:

- Seventy-five percent of District formula students multiplied by the difference between the statewide average Basic Funding per formula student (7,423.08) and the District Basic Funding per formula student, multiplied by graduated percentages based on General Fund Levies. Applies to Districts that have a General Fund Levy of \$0.96 or above, whose Basic Funding per formula student is less than the statewide average Basic Funding per formula student.

TEACHER EDUCATION ADJUSTMENT:

- Ten percent of the District's Basic Funding multiplied by the District's Teacher Education Index minus one. The Adjustment applies to full time equivalent teachers with a master's degree or above. To qualify, Districts must have more full time equivalent teachers with a master's degree or above than the statewide average number of full time equivalent teachers with a master's degree or above.

CALCULATED RESOURCES	
THE SUM OF:	
	<ul style="list-style-type: none">□ Yield from Local Effort Rate (a calculated measure of Local Property Resources)□ Net Option Funding□ Allocated Income Tax Funds□ Minimum Levy Adjustment□ Other Receipts Actually Received by the District

YIELD FROM LOCAL EFFORT RATE (LOCAL PROPERTY RESOURCES):

- Adjusted Property Valuation divided by 100 X Local Effort Rate
√ Local Effort Rate (LER) is \$1.00.

NET OPTION FUNDING:

- The positive net number of Enrollment Option students (students opting in minus students opting out), as of the day of the Fall Membership count, is multiplied by the statewide average Basic Funding per formula student (7,423.08).
- Net Option Funding cannot be less than zero.

ALLOCATED INCOME TAX FUNDS (MEASURE OF LOCAL INCOME):

- A percentage determined annually, based on the 1992-93 appropriation (minus \$20 million) to the School District Income Tax Fund, net option funding, and the statewide income tax liability of resident individuals.

MINIMUM LEVY ADJUSTMENT:

- The minimum levy adjustment is calculated and applied to any system that has a General Fund Common Levy that is less than \$0.95. The adjustment is calculated by subtracting the system levy from \$0.95, and multiplying the result by the adjusted valuation divided by 100.

OTHER RECEIPTS ACTUALLY RECEIVED BY THE DISTRICT:

(As Reported on the Annual Financial Report; see page 10 of this document for a complete listing):

- Examples:
 - √ Fines and License Fees
 - √ Interest
 - √ Special Education School Age
 - √ Pro-Rate Motor Vehicle

EQUALIZATION AID:

- Needs - Resources = Equalization Aid

ADDITIONAL COMPONENTS OF STATE AID

AID STABILIZATION:

- A Local System cannot receive less than an amount equal to the prior year's State Aid less 2.5% of 2008/09 formula needs.

2008-09 STATE AID FUNDING:

- On or before April 30, 2008, the Department must determine the amounts to be distributed to each Local System pursuant to the Tax Equity and Educational Opportunities Support Act based on \$1.00 Local Effort Rate.

Part III.
**QUESTIONS AND ANSWERS RELATED TO THE STATE AID
CONCEPT AND THE 2008-09 STATE AID CALCULATION**

NEEDS

How are Needs determined?

- ▶ The Needs of a Local System are determined based on:

The sum of the District's Basic Funding + Poverty Allowance + Limited English Proficiency Allowance + Elementary Class Size Allowance + Focus School & Program Allowance + Summer School Allowance + Transportation Allowance + Special Receipts Allowance + Elementary Site Allowance + Distance Education & Telecommunications Allowance + Averaging Adjustment + Teacher Education Adjustment – (Local Choice Adjustment + Limited English Proficiency Allowance Correction + Poverty Allowance Correction).

- ✓ Formula Needs Stabilization:

District Formula Need that is less than 100% of 2007/08 Year End Recalculated Formula Need is increased to 100% of 2007/08 Year End Recalculated Formula Need

AND

District Formula Need that is greater than 112% of 2007/08 Year End Recalculated Formula Need is decreased to 112% of 2007/08 Year End Recalculated Formula Need, except that the Formula Need for Districts receiving a student growth adjustment is not decreased.

What are Formula Students?

- ▶ Formula Students include students educated by the district and those for which the district is paying tuition.
- ▶ Formula Students are grouped in the following manner: Qualified Early Childhood programs, Kindergarten (KDG = programs under 1,032 instructional hours), Full-Day Kindergarten (FDK = programs of 1,032 or more instructional hours) through Grade 6, Grades 7-8, and 9-12.

What source data was used to determine the Formula Students for the 2008-09 State Aid calculation?

- ▶ K-12 Fall Membership from the 2007 Student Snapshot Template in the NSSRS adjusted by an ADM to Fall Membership ratio using the average of the ratios from 2004-05, 2005-06 and 2006-07.

+

4 year-olds in Qualified Early Childhood Education Fall Membership multiplied by the ratio of planned instructional hours of the program divided by 1,032 then multiplied by .6.

+

K-12 Contracted Out Students from the 2007 School Enrollment Template in the NSSRS.

-

Kindergarten students in programs under 1,032 instructional hours multiplied by .5.

How is the Transportation Allowance determined?

- ▶ The transportation allowance is the lesser of:
 - The actual transportation expenditures from the most recently available complete data year.
 - Regular route miles traveled multiplied by 400% of the mileage rate established by the Department of Administrative Services (DAS) as of January 1 of the most recently available complete data year (.485) plus in lieu of transportation.

How is the Special Receipts Allowance determined?

- ▶ Special Receipts are from the most recently available complete data year.
Special Receipts Include:
 - √ State Receipts for School-Age Special Education
 - √ State Receipts for School-Age Special Education Transportation
 - √ Payments for Wards of the State/Wards of the Court
 - √ Receipts for Accelerated or Differentiated Curriculum Programs
 - √ Special Education Tuition Received from other Districts
 - √ Special Education Tuition Received from Individuals
 - √ Special Education Transportation Receipts from other Districts
 - √ Special Education Transportation Receipts from Individuals
 - √ Receipts from Medicare Catastrophic Coverage Act of 1988 to the extent the district would have received payment pursuant to the Special Education Act.

How is the Distance Education and Telecommunications Allowance determined?

- ▶ Distance Education and Telecommunications is equal to 85% the difference of:
 - Actual expenditures for distance education and telecommunications from the most recently available complete data year minus receipts from the Universal Service Fee Fund (E-Rate) from the most recently available complete data year.

How is the Poverty Allowance determined?

- ▶ The Poverty Allowance is the lesser of:
 - The amount the District designates they will spend on poverty for the 2008-09 school year.
 - The sum of the statewide average general fund operating expenditures per student multiplied by graduated percentages then multiplied by student weightings based on free lunch/milk students or students under 19 residing in homes with adjusted gross income in 2006-07 equal to or less than the maximum household income that would allow a student from a family of four people to be a free lunch or free milk student during the 2007-08 school year.

How is the Limited English Proficiency Allowance determined?

- ▶ The Limited English Proficiency Allowance is the lesser of:
 - The amount the District designates they will spend on students with limited English proficiency for the 2008-09 school year.
 - 25% of the statewide average general fund operating expenditures per student multiplied by the number of limited English proficiency students.

How is the Elementary Class Size Allowance determined?

The statewide average general fund operating expenditures per formula student multiplied by 20% is then multiplied by the number of free and reduced price lunch students in grades kindergarten through eight who spend 50% or more of the school day in a classroom with a minimum of 10 students and a maximum of 20 students.

How is the Elementary Site Allowance determined?

- ▶ The statewide average general fund operating expenditures per formula student multiplied by 500% is then multiplied by the number formula students in buildings that qualify for the Allowance divided by 8. An Elementary Site Allowance is provided if a District:
 - Has more than 1 elementary building;
 - The elementary building is not the primary site;
 - At least 1 elementary building does not offer any other grades;
 - There is at least 100 square miles per elementary building in the District; and
 - There is an average of 15 or fewer students per grade per building.

How is the Summer School Allowance determined?

- ▶ 85% of the statewide average general fund operating expenditures per formula student is multiplied by 2.5% of summer school student units. Summer school student units equal:
 - 1 student enrolled in summer school in a school district whether or not the student is in membership for 1) at least 3 hours but fewer than 6 hours per day; and 2) at least 12 days but fewer than 24 days.

How Adjusted General Fund Operating Expenditures determined?

- ▶ General Fund Operating Expenditures multiplied by the cost growth factor (1.06) minus Allowances (Transportation Allowance + Special Receipts Allowance + Poverty Allowance + Limited English Proficiency Allowance + Distance Education & Telecommunications Allowance + Elementary Site Allowance + Elementary Class Size Allowance + Summer School Allowance + Focus School & Program Allowance)

How is Basic Funding determined?

- ▶ A comparison group is established for each District consisting of the 5 larger districts that are closest in size to the District, measured by formula students and the 5 smaller districts that are closest in size to the District, measured by formula students.
 - For School Districts with less than 900 formula students, Basic Funding is the average of adjusted general fund operating expenditures for each District in the comparison group, excluding both the District with the highest adjusted general fund operating expenditures and the District with the lowest adjusted general fund operating expenditures in the comparison group.
 - For School Districts with 900 or more formula students, Basic Funding is the average of adjusted general fund operating expenditures per formula student for each District in the comparison group, excluding both the District with the highest adjusted general fund operating expenditures per formula student and the District with the lowest adjusted general fund operating expenditures per formula student in the comparison group, multiplied by the District's formula students.

How is the Local Choice Adjustment determined?

- ▶ The Adjustment applies to Districts whose Basic Funding per formula student is greater than the Basic Funding per formula student for the District with the closest to 390 formula students that;
 - Has fewer than 390 formula students
 - Is not sparse or very sparse
 - Did not receive federal funds in excess of 25% of its general fund budget of expenditures

How is the Averaging Adjustment determined?

- ▶ The Adjustment applies to Districts whose Basic Funding per formula student is less than the statewide average Basic Funding per formula with a General Fund Levy of at least \$0.96. The Adjustment is 75% of District formula students multiplied by the difference between the statewide average Basic Funding per formula student and the District Basic Funding per formula student, multiplied by graduated percentages based on the General Fund Levy.

How is the Teacher Education Adjustment determined?

- ▶ The Adjustment applies to Districts who have more full-time equivalent teachers with a master's degree or above than the statewide average number of full-time equivalent teachers with a master's degree or above. The "Teacher" must have the following position codes on the 2007/08 Fall Personnel Report; 1150 Head Teacher, 1160 Teacher, 1161 SPED Teacher Teaching Core Academic Subjects/Grading, 1162 SPED Teacher Teaching Core Academic Subjects/Alternate Standards/Assessment, 1163 SPED Teacher Collaborating/Co-Teaching, 1164 SPED Teacher – Facilitator, 1170 Teacher – Facilitator, 1180 Teacher – Collaborator.

RESOURCES

How are Resources determined?

- ▶ Resources = Yield from Local Effort Rate + Net Option Funding + Allocated Income Tax Funds + Other Actual Receipts + Minimum Levy Adjustment.

How is the Yield from Local Effort Rate determined?

- ▶ Yield from Local Effort Rate = Adjusted Valuation divided by 100 X Local Effort Rate of \$1.00.
- ▶ The Local Effort Rate is determined by statute as part of the State Aid calculation process.
- ▶ The statewide Needs for all Local Systems as determined above can be funded from five sources:

1) Net Option Funding	4) Yield from Local Effort Rate
2) Allocated Income Tax Funds	5) Equalization Aid (provided through the calculation process)
3) Other Actual Receipts	

What source data was used to determine the Adjusted Valuation for the 2008-09 State Aid Calculation?

- ▶ For 2008-09 State Aid, the adjusted valuation reflects 2007 levels. The Property Tax Administrator adjusts the values to assure that for State Aid purposes:
 - real property other than agricultural land is at 96% of market value;
 - agricultural land is at 72% of market value as provided by statute; and
 - personal property other than motor vehicles is at net book value as defined by statute.
- ▶ The State Aid appropriation is the “balancing factor” in funding the statewide Needs. All of the Needs that are not funded by items 1 through 4 must be funded by the State Aid appropriation.
- ▶ As statewide Needs increase, unless the amount provided from items 1 through 4 increase, the State Aid appropriation must increase. Once the Adjusted Valuation is provided by the Property Tax Administrator, the Yield from Local Effort Rate is a known amount. The Local Effort Rate applied against the Adjusted Valuation is the component which cannot vary to produce a Yield from Local Effort Rate amount.

How is the Net Option Funding determined?

- ▶ For each district, the students opting out are subtracted from the students opting in at each grade level (KDG, FDK-6, 7-8, and 9-12). The positive net number of students are then multiplied by the statewide average Basic Funding per formula student.
 - It is possible for the result at a given grade range to be negative since there may be more students opting out than opting in. However, the total for the district cannot be less than zero.
- ▶ Since option students are included in the ADM counts of students used to determine a Local System’s Needs, the inclusion of the amount as a Resource prevents a Local System which generates Equalization Aid from receiving both Equalization Aid and Net Option Funding based on the impact the students have on Needs.
- ▶ The funding for Net Option reduces the total amount available for distribution as Allocated Income Tax Funds (discussed below).

What source data was used to determine Net Option Funding?

- ▶ The 2007-08 net enrollment option students, as reported to the Department of Education on the 2007 School Enrollment Template in the NSSRS, was used to determine the net number of students.

How are the Allocated Income Tax Funds determined?

- ▶ The Allocated Income Tax Funds provide a mechanism through which the income tax base of the local system is included in the Resources of the Local System. Therefore, the distribution of Equalization Aid responds to the income tax base as well as the potential property tax base of the Local System.
- ▶ A varying percentage of the Nebraska income tax liability of residents of the Local System is provided to the Local System as Allocated Income Tax Funds. The income tax liability information is provided by the Department of Revenue based on data submitted on Nebraska income tax forms. (The Nebraska Income Tax Form requests each filer to indicate the high school district in which they reside.) The percentage is based on the 1992-93 appropriation to the School District Income Tax Fund (minus \$20 million), net option funding, and the statewide income tax liability of resident individuals.
- ▶ The 2008-09 State Aid calculation incorporates Allocated Income Tax Funds based on the 2007 Income Tax year.

What are Other Actual Receipts?

- ▶ Other Actual Receipts are calculated using information reported on the Annual Financial Report for the most recently available complete data year.

How are Other Actual Receipts determined?

- ▶ Other Actual Receipts are taken primarily from the Annual Financial Report submitted by the each district. Receipt information related to the Medicare Catastrophic Coverage Act of 1988 and Impact Aid, if applicable, are taken from other source documents on file with the Department of Education. Other Actual Receipts include various local, state, and noncategorical federal receipts.

What is the Minimum Levy Adjustment?

- ▶ Any Local System that has a general fund common levy that is less than 10 cents below the maximum levy:
 - The adjustment is calculated by subtracting the system levy from \$0.95, and multiplying the result by the adjusted valuation divided by 100.
 - The Minimum Levy Adjustment is added to the formula resources for the determination of equalization aid. For non-equalized Local Systems, if the Minimum Levy Adjustment is greater than or equal to the allocated income tax funds, the System does not receive allocated income tax funds.

What is Equalization Aid?

- ▶ The amount that the total formula needs exceed total formula resources:
 - A Local System will not receive State Aid that is less than the amount of Aid certified in the preceding school fiscal year, less 2.5% of the current year formula need.

CORRECTIONS FOR THE PRIOR YEAR'S STATE AID CALCULATION

In addition to the items that make up a Local System's calculated State Aid for a given year, each year's actual State Aid payments may include adjustments to the prior year's State Aid calculations in accordance with statutory provisions. The corrections to the 2008-09 payments primarily reflect the recalculation of 2007-08 State Aid based on the incorporation of 2006-07 ADM data in place of 2006-07 Fall Membership and allowing the local effort rate to "float" during the recalculation process.